

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

City of Arroyo Grande, City Council Chambers
215 East Branch Street
Arroyo Grande, California 93420

Minutes of the Meeting of Wednesday June 15, 2016
6 P.M.

1. CALL TO ORDER AND ROLL CALL

Present: Chairman John Shoals, City of Grover Beach; Director Mary Lucey, Oceano Community Services District; Director Jim Hill, City of Arroyo Grande

District Staff in Attendance: Mr. Hubner, District Administrator; Wendy Stockton, District Legal Counsel; Amy Simpson, District Secretary/Bookkeeper

Chairman Shoals asked that a moment of silence be observed for the Orlando tragedy.

2. FLAG SALUTE

3. AGENDA REVIEW

4. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA

Chairman Shoals opened the public comment period.

Julie Tacker asks for the Administrators resume.

Beatrice Spencer did a pitch for and all blood donors. She also suggested that it would be good to conduct a survey of all District costumers to make sure that any and all parcels are billed accurately for the District. She asked why Arroyo Grande addresses are appearing on the Oceano Community list on the Tax Roll Report.

Chairman Shoals closed the public comment period.

Chairman Shoals thanked Mrs. Spencer for her call to donate blood. He also suggested taking the opportunity to look into billing and see if it is accurate when negotiating new contracts with the member agencies.

Director Lucey said there are many properties outside of Oceano sphere of influence that are connected to the Oceano water line. This was in response to Mrs. Spencer's comment.

5. CONSENT AGENDA

5A. Review and Approval of Warrants

5B. Financial Review at May 31, 2016

Chairman Shoals opened the public comment period.

Patty Welsh and Julie Tacker gave comment on the consent agenda.

Chairman Shoals closed public comment.

Motion: Director Lucey
Second: Chairman Shoals
Action: Motion carries

6. ACTION ITEMS:

6A. Fiscal Year 2016-17 Budget

The Board held a Public Meeting, reviewed, and considered a draft final Budget for Fiscal Year 2016-17, including Resolution Nos. 2016-348 and 349

Director Lucey appreciated the ease of reading and understanding of the budget. She feels that \$10,000 for the annual audit seemed low.

Director Hill would like staff to focus on interface between District and agencies. He would like to invite the auditor to look into accounting for all connections to the District to provide for accurate billing.

Director Lucey said that there has never been an audit of District connections and that it would be a good to have that done now.

Chairman Shoals opened the item to public comment.

Patty Welsh, Debbie Peterson, Julie Tacker, and Patricia Price all gave comment on the budget.

Chairman Shoals closed the public comment period.

Director Hill does not support the concept of an offsite office. He clarified that the Administrator was not hired specifically for engineering skills and ability. He was hired for project oversight and project management. He believes this will best be performed at the District site. The proposed funding for the offsite office could be used to upgrade the current offices including enlargement. He feels the goals and the strategic planning can be performed with the current staff, Administrator and Superintendent working together. He believes a full time Administrator will facilitate District's goals and objectives in a cost effective manner.

Director Shoals believes strategic plan can be something that is done in house after a period of time. He feels it would be good to get it started now. There is value in using unbiased strategic planners. He does feel the amount budget can be reduced. He also feels there is value in an offsite office to give the public access to the Administrator and other staff. He wants to be sure that we do a cost analysis. John Clemons would remain at the plant managing staff on day to day operations.

Director Lucey asked "How much can you expect from one individual?" referring to Mr. Hubner taking on so many roles. She thinks it irresponsible if we do not do Strategic Planning. She supports hiring an outside facilitator. She is in support of an offsite office. There is benefit to having public access to administrative staff.

Director Hill is not averse to Strategic Planning, his concern was the amount budgeted for facilitation. He believes staff can be resourceful. He would be more comfortable with a \$10,000 budgeted amount.

Motion: Director Hill made a motion to approve the Budget for Fiscal Year 2016/17 as presented with the following changes:

1. Amount for Strategic Planning be reduced to an amount of \$20,000; and
2. Outside Counsel be reduced to an amount of \$20,000

He further motioned to adopt Resolution No. 2016-348; a Resolution adopting the 2016/17 Fiscal Year Budget and Resolution 2016-349, a Resolution adopting and Employee Compensation Package Including a Salary Schedule, Position Classifications and Salary Steps within Ranges for the 2016-17 Fiscal Year.

Second: Director Lucey

Action: Approved unanimously

6B. DEDICATED RESERVE FUND

Mr. Hubner presented a power point presentation for the Board to review, and consider approval of an Updated Reserve Policy through Adoption of Resolution. He suggested two options:

- A transfer of 20% of the annual charges provided for under Section 2; or
- 10% of the annual costs of maintenance and operation for said District, whichever is less, shall be deposited in said Reserve Fund.

Proposed Resolution states:

- Annual contribution to the Reserve Fund by July 31st of each year;
- Use of Reserve Fund only in case of emergency, natural disaster or unexpected event(s);
- Unanimous vote of Board to access; and
- Goal of \$1,500,000 in the Reserve Fund Account (slightly less than 50%) of Total Operating Expenditures.

Chairman Shoals opened the item to public comment.

There being no public comment, Chairman Shoals closed the public comment period.

Director Hill thought it advisable to establish a Reserve Fund within Fund 19. He would like to discuss the timeliness of how this is established. He recommended rolling the remainder of the contingency into the Reserve Fund would be one way to go about it. He thinks \$1,500,000 is a good target but not within the Districts ability to handle at once. He feels a unanimous vote is hard to handle but believes the Board can recognize an emergency event.

Chairman Shoals suggested that the Board look at the following numbers:

- 20% of \$4,209,000 (total amount wastewater charges) = \$841,800; or
- 10% of Operation and Maintenance Costs which would be significantly less than the 20% option.

He suggested the Board set the amount to be deposited in the Resolution.

Director Hill noted the District does not currently see a lot of high interest rates at this time. He suggested maybe \$500,000 to \$700,000 as a target goal instead of the \$1,500,000. If a financial change happens, we could review the policy on an annual basis.

Director Shoals thinks the 10% of Operation and Maintenance Costs would be the best option and a majority vote of the Board is something that the Board should continue with.

Motion: Chairman Shoals motioned to provide for a reserve fund of 10% of the annual costs of District maintenance and operation, that an annual amount to be determined by the Board and that it be deposited to the reserve fund on July 31st each year. That the reserve be used only in cases of emergency, natural disaster, or unexpected event. He would also add that it be used for a onetime expense. This will be done by a majority vote of the Board and the target goal would be \$800,000. This will be revisited and brought back for an annual review depending on interest rates and other market factors that come to bear at that time.

Second: Director Hill

Motion: Approved unanimously

6C. STATE REVOLVING FUND (SRF) PLANNING LOAN APPLICATION TO THE STATE WATER RESOURCES CONTROL BOARD (SWRCB) FOR DISTRICT'S REDUNDANCY PROJECT

Mr. Hubner gave a power point presentation. He overviewed background, SRF Planning Loan application, District's budget for planning, design and permitting, SRF resolutions, repayment of SRF Loans and the staff recommendation.

The District's 2016 Rate Study (Bartle Wells Associate), identified SRF funding as a preferred funding source for the District's Wastewater Treatment Plant Redundancy Project. The SRF loan program allows terms of up to 30 years for repayment of the loans. The interest is established at 50% of the state's latest General Obligation Bond rate. Historically, the SRF financing cost has historically been in the 1 to 3% range.

An application has been prepared on behalf of the District for a SRF Planning Loan to fund planning, permitting and design tasks for the Redundancy Project. SRF Planning loan funds allow an applicant to recover various planning-related costs, including project management, permitting and project design. District staff anticipates submitting the completed application package to the SWRCB by June 22, 2016.

He presented a graph showing Engineering Design Services cost at \$1,490,000. Permitting cost at \$120,000. Project management and administration (design/planning phase) cost at \$247,000. And estimated project total cost at \$1,857,000.

Repayment of the SRF loan begins one year after project completion. It is staff's intent to proceed with the preparation of a SRF construction loan application after Project permitting has proceeded past the initial investigation and coordination with California Coastal Commission.

If the SRF construction loan application is submitted and approved, repayment of both the planning and construction loans would not begin until one year after construction of the District's Redundancy Project is completed.

Resolutions Nos. 2016-350 and 2016-351 authorize the District's Chair to sign the loan agreement and take other actions required by that Agreement; and commit the District to repay the SRF loan.

If the application is approved by SWRCB, the District will be obligated upon

execution of the Agreement for repayment of loan funding for the term of such financing, unless modification or change is approved in writing by SWRCB.

Staff recommendation was to have the Board approve submittal of an application to the SWRCB for a planning and design loan of up to \$1,857,000 to fund work for the Redundancy Project through the Clean Water State Revolving Fund through adoptions of Resolution Nos. 2016-350 and 2016-351.

Chairman Shoals opened the item to public comment.

Julie Tacker commented on this item.

Chairman Shoals closed the public comment period.

The Board had a brief discussion and all were in support of going forward with the loan application.

Motion: Director Hill made a motion to approve Resolution No. 2016-350

Second: Director Lucey

Action: Approved unanimously

Motion: Director Lucey made a motion to approve Resolution No. 2016-351

Second: Director Hill

Action: Approved unanimously

6D. APPOINTMENTS TO SAN LUIS OBISPO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT ZONE 1 AND 1A, ADVISORY COMMITTEE

Mr Hubner presented this item. He recommended the Board appoint him as the District's representative, and Mr. John Clemons as the alternative to the San Luis Obispo County Flood Control and Water Conservation District Zone 1 and 1A, Advisory Committee, and Direct staff to submit an application to the County Board of Supervisors for formal consideration and appointment

There was no public comment.

Motion: Director Hill made a motion to approve staff recommendation.

Second: Director Lucey

Action: Approved unanimously

6E. MODIFICATION TO RESOLUTION NO. 2014-314 – POLICIES AND PROCEDURES FOR THE EXPENDITURE OF DISTRICT FUNDS FOR SUPPLIES, EQUIPMENT, CONSTRUCTION, AND SERVICES

Mr. Hubner presented this item with a power point presentation. He overviewed the background, the reason for modification and the proposed modifications.

The reason for the modification is an outcome of the *Knudson Report*, and Board direction contained in the January 20, 2016 staff report: "conducting and annual Board review of the District's Purchasing and Construction Policy, consider including provision for consultant service contracts that exceed specified amounts.", and "The purchasing policy is proposed for review with the annual budget." To meet this obligation, District and legal staff reviewed Resolution No. 2014-314, and are recommending a few modifications to the Resolution.

1. Change name of District Manager to District Administrator;
2. Specifically call out in Section 2.5A. The District Administrator's authority for services up to \$25,000; and
3. Eliminate an inconsistency within Section 2.5 with the recommended change here to \$7,500. The phrase of "equipment, supplies, or services" is also deleted to provide clarity that it only applies only to purchases.

There was no public comment on this item.

Motion: Director Hill made a motion that the Board of Directors adopt Resolution No. 2016-353 as renumbered. A Resolution Amending the Adopted Policies and Procedures for the Expenditure of District Funds for Supplies, Equipment, Construction, and Services as Set Forth in Resolution No. 2014.-274.

Second: Director Lucey

Action: Approved unanimously

7. DISTRICT ADMINSTRATOR AND PLANT SUPERINTENDENT'S REPORT

Mr. Hubner presented this report. He pointed out that during the month of May plant effluent exceeded permit limits for average Total Suspended Solids (TSS) for the month of May. Staff has made process adjustments to re-stabilize process results. The May monthly TSS violation has been reported to the Regional Water Board staff. However, this singular event will not automatically trigger a fine (considered a chronic violation vs. a serious violation). A fine is triggered when an agency reports more than four chronic violations in a 180 day period. The last prior violation for this Plant was reported on December 3, 2015.

Director Lucey asked that differences in the readings be in bold or italics and that the Plant Superintendent or Administrator sign off on the numbers certifying the tests.

Chairman Shoals opened public comment.

Beatrice Spencer, Patricia Price and Ron Arnoldson would like to acknowledge Mr. Clemons for his enjoyable reports.

Chairman Shoals closed public comment.

Director Hill appreciates the public's comments and suggests that it might be good to reorganize the agenda so the Superintendents report can be given at the beginning of the meeting.

Action: Received and Filed

8. PUBLIC COMMENT ON CLOSED SESSION

There was no public comment.

9. CLOSED SESSION

CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION [Paragraph (1) of subdivision (d) of Government Code Section 54956.9];

(1) South San Luis Obispo County Sanitation District v. State Water Resources Control Board (Superior Court of Sacramento) case number 34-2012-80001209-CU-WM-GDS)

10. RETURN TO OPEN SESSION; REPORT ON CLOSED SESSION

The Board met in closed session and gave direction to staff, but took no reportable actions, concerning the litigation matter.

There being no further business to come before the Board, Chairman Shoals adjourned the meeting at approximately 8:10 p.m.

THESE MINUTES ARE WERE APPROVED BY THE BOARD OF DIRECTORS AT THE MEETING OF JULY 06, 2016.